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SUBJECT: NETANYAHU'S "BAR ILAN ADDRESS" REFLECTS EMERGING  
ISRAELI CONSENSUS

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Classified By: Ambassador James B. Cunningham, Reason 1.4 (b) (d)

¶1. (C) Summary. PM Netanyahu's June 14 speech was a balancing act to deal with widely-perceived U.S. pressure without causing the collapse of his coalition. By announcing his acceptance of a demilitarized Palestinian state beside Israel, Netanyahu moved to the center and embraced positions supported by a large majority of Israelis. Netanyahu also stressed the importance of Palestinian acknowledgement of Israel as the "nation-state of the Jewish people." He said Jerusalem should remain Israel's united capital and stuck to familiar ground on settlements, saying his government would not establish new settlements or confiscate Palestinian land, but also would not prevent settlers from leading "normal lives." Netanyahu urged the Palestinian Authority to resume negotiations immediately and without preconditions. He called for Gulf Arab investors to contribute to the development of the West Bank, while expressing understanding that economic development is not a substitute for a political process. Perhaps most surprisingly for those who know Netanyahu, he articulated the need for Israel to recognize Palestinian rights. National Security Adviser Arad told the Ambassador that the Prime Minister's Office was pleased with the White House statement, but they have received mixed reactions from Europeans and hope the harsh response from some Palestinians and Arabs will fade. Some right wing members of the coalition, meanwhile, are pleased by Palestinian rejection of Netanyahu's speech since they hope the Palestinian posture will block the resumption of negotiations and shift the diplomatic burden to the Palestinians. Opposition leader Livni is expected to comment later today, but she has already indicated that she saw the speech as a step in the right direction. Netanyahu will continue his efforts to bring Livni's Kadima Party into his coalition. End Summary.

¶2. (SBU) Prime Minister Binyamin Netanyahu attempted a difficult balancing act in his speech delivered the evening of June 14: to deal with widely perceived U.S. pressure, while finding a way to move that would preserve his coalition. The choice of setting -- the Begin-Sadat research center at Israel's only Orthodox university, Bar Ilan -- was symbolically laden, both in terms of the association with Menachem Begin, Netanyahu's original political mentor, and the outsized representation of the religious Zionist movement in the audience. After a weekend in which journalistic insiders claimed to know that Netanyahu's speech would seek to shore up his right flank by rejecting U.S. pressure to accept the two-state solution and freeze settlements, Netanyahu instead moved himself to the center of an emerging Israeli consensus by announcing his acceptance of a "demilitarized Palestinian state alongside a Jewish state of Israel." As Ha'aretz commentator Ari Shavit wrote June 15, Netanyahu's newly stated position could easily have been articulated by Ehud Barak or Tzipi Livni. Shavit noted that Netanyahu, once known as a partisan player of Israeli wedge politics, is emerging as a "uniter of Israel." In the

estimation of Shavit, as well as veteran commentator Nahum Barnea, perhaps seventy percent of Israelis accept the need for Israel to support a two-state solution, but also endorse Netanyahu's insistence on Palestinian recognition of Israel's Jewish identity and an outcome of negotiations which ensures Israel's security and precludes the establishment of a second Hamas-dominated state in the West Bank.

13. (SBU) In addition to raising demilitarization and a series of related security limitations on a Palestinian state, Netanyahu criticized "Palestinian moderates" for refusing to acknowledge Israel as the "nation-state of the Jewish people," and insisted that the Israeli-Palestinian conflict has persisted since Oslo due to Arab rejection of a Jewish state within any borders. He said the Palestinian refugee issue must be settled outside of Israel's borders, and that it can be. He repeated his standing position that Jerusalem remain the "united capital of Israel," and that the Palestinian state's borders will be determined in final status negotiations. On settlements, Netanyahu stuck to familiar ground, stating that his government would not establish any new settlements or confiscate any Palestinian land, while asserting his support for the right of settlers to live "normal lives," a short-hand for allowing them to build within existing settlements to address "natural growth."

14. (SBU) Despite these hard-line points, familiar to anyone who has listened to Netanyahu recently, there were new elements intended to reach out to the U.S. and the Arab states. He called for the immediate resumption of negotiations with the Palestinian Authority without preconditions; offered to meet Arab leaders anywhere,

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including Damascus, Riyadh, Beirut or Jerusalem; praised the creativity of Gulf Arab investors and invited them to contribute to large-scale water, energy and tourism projects in the West Bank; and stressed that his understanding that Palestinian economic development is not a substitute for political negotiations. Perhaps most surprisingly for those who know him, Netanyahu referred to Israel's need to recognize Palestinian rights, saying, "So far I have spoken about the need for Palestinians to recognize our rights. In a moment, I will speak openly about our need to recognize their rights." In the context of discussing the Jewish historical claim to the Land of Israel, Netanyahu mentioned the Palestinian presence in the Holy Land and noted that in his vision of peace "two peoples live freely, side by side, in amity and mutual respect." The tone of this passage is much closer to the rhetoric of the Israeli left than the right wing and must have been particularly jarring to some of the Bar Ilan audience.

15. (C) National Security Adviser Arad told the Ambassador this morning that the Prime Minister's office was pleased by the White House statement, which featured prominently in Israeli media coverage of the speech. Arad said they have had mixed reactions from the Europeans, and hoped that the harsh rhetoric from some Arabs and Palestinians would fade. Arad will be in Cairo June 16 to consult with Omar Soliman. He agreed with the Ambassador that there is still much to be done.

16. (C) Some on the right wing of the coalition are pleased with the sharply negative comments by Palestinian Authority officials, including Saeb Erekat, since they hope PA rejection of Netanyahu will block negotiations and shift some of the diplomatic burden of proof onto the Palestinians. So far, key right wing members of Likud have commented cautiously. While there is no sign of revolt in Likud's ranks, some Likud MK's are talking about how to prevent the Prime Minister from implementing his policy. Opposition leader Livni is expected to comment on the speech this afternoon, and has already indicated that she felt it was a step in the right direction. It is too soon to expect Livni to join the government, as Netanyahu clearly hopes, but the

two reportedly are in close contact and Netanyahu may step up efforts to attract right-leaning members of Kadima such as Shaul Mofaz to break with Livni and join the government.

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